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30 July 1954

ED

3.3(h)(2)
3.5(c)

80

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 57
NO CHANGE IN CLASS. ☒
EI DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 3/1/80 REVIEWER:

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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~~TOP SECRET~~**SOUTHEAST ASIA****1.****3.5(c)****2. Cambodia bases plans on assumption all Vietnam will go Communist:**

Cambodian officials feel that the results of the Geneva conference provide them merely with a respite in which to prepare for renewed pressure after the extension of Communist control over all of Vietnam,

the American embassy in Phnom Penh reports.

Cabinet ministers, in talks with the American chargé, stressed the need for overhauling the Cambodian economy with direct American aid. The establishment of their own currency and customs service and the reorientation of Cambodian trade from Saigon to Thai or Cambodian ports are under consideration.

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Comment: Cambodia is determined to create the economic and military foundation necessary to resist Communism. Cambodian plans are, however, in conflict with France's intention to maintain a maximum of influence in the retained areas of Indochina.

3. Current French Indochina policy outlined:

[REDACTED] Minister for the Associated States La Chambre told Ambassador Dillon in Paris on 27 July that under the armistice agreement, American military aid to Vietnam could continue as long as it was channeled through the French. He said France intends to build up the Vietnamese army as rapidly as possible until many of the French Union units consist entirely of Vietnamese. The French consider it now possible to develop an "autonomous" Vietnamese army with its own general staff.

La Chambre said that Paris has decided not to withdraw any large troop units for at least six or eight months. He also said France feared that ratifying the treaty of independence for Vietnam at this time would give the impression of creating a permanent division of the country.

La Chambre indicated that Diem was unsuitable as prime minister of Vietnam, and that the time had come to ease out Bao Dai.

Comment: These statements indicate French intentions to hang on to some prerogatives in Indochina, as well as a desire to continue to benefit by having American aid channeled through Paris. Such a policy would perpetuate Vietnamese bitterness toward the French and greatly weaken the appeal of the government in Saigon.

NEAR EAST - AFRICA

4. Henderson suggests American and British policies in Iran may diverge:

Ambassador Henderson obtained the impression from a conversation with British ambassador Stevens on 27 July that Washington and London have divergent views on the problem of Iranian security. In his opinion London apparently doubts that eventual Iranian adherence to the Turkish-Pakistani pact would serve British interests and is "unenthusiastic" concerning American programs for strengthening Iran's armed forces.

Henderson feels that the need for Anglo-American agreement is urgent; otherwise, "we may find ourselves giving the Iranians conflicting advice."

Comment: Henderson has also severely criticized British commercial operations in Iran as inimical to American objectives. These and other indications of developing Anglo-American policy conflicts in Iran suggest that co-operation after an oil settlement may become more difficult.

5. Pro-Nasr demonstrations in Alexandria backfire:

Pro-Nasr demonstrations organized in Alexandria between 22 and 26 July, in celebration of the second anniversary of the Egyptian army revolution, backfired badly and resulted in demonstrations in favor of President Nagib. The arrival of Nagib in Alexandria on 25 July touched off the most serious of the outbreaks, which continued throughout the following day.

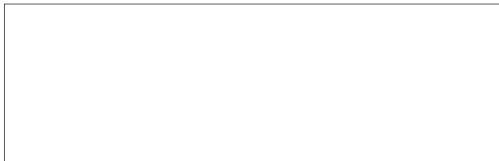
According to the American consulate general in Alexandria, the demonstrations were organized and paid for by Leissy Abdul Nasr, brother of the premier and head of the local regime-sponsored Liberation Rally. Local police were unable to control the several clashes ensuing between Nasr and Nagib supporters and had to be reinforced by army units.

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Comment: Nasr and the Revolutionary Command Council have never enjoyed the genuine widespread popular support accorded Nagib. Although successful conclusion of the Suez agreement should appreciably strengthen Nasr's prestige, the position of the regime is, therefore, largely dependent on continued loyalty of the security forces.

6. Replacement of resident general in Tunisia expected:



Resident General Pierre Voizard is going to Paris amidst strong indications that he will be replaced.

Not only is he unpopular with Prime Minister Mendes-France and Christian Fouchet, minister for Tunisia and Morocco, but many French settlers also openly oppose his "do-nothing attitude regarding assassinations."

The American consul general comments that, though Voizard has failed to stamp out terrorism, and has not given firm leadership since his 4 March reforms proved unpalatable, Paris will have extreme difficulty in finding an able successor who could both satisfy the enraged French settlers and pacify the Tunisians.

Comment: Since 1945, settler opposition to reforms has brought about the replacement of two residents general. The French settlers would also exert every form of pressure to prevent the conciliatory policy outlined to Ambassador Dillon in Paris on 27 July from being effected.

LATIN AMERICA

7. Nicaragua sends heavily armed column to Costa Rican border:



The dispatch of a heavily armed Nicaraguan force to the Costa Rican border on 29 July was

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[redacted] decided on at all-night meetings of the Nicaraguan cabinet and general staff, [redacted]

[redacted] 700 troops were dispatched from Managua, and 800 more were to be brought from other areas. Two light tanks, three half-tracks, and a few jeeps pulling antitank guns were included in the force. The troops were given strict instructions to take no aggressive action.

Somoza is reported to claim that the movement is only a maneuver, [redacted]

On 27 July, the American embassy in San Jose reported that the Costa Rican Civil Guard and volunteer forces were being mobilized on a national scale "with plans for all-out war." Tension had been heightened by reports of an impending attempt on the part of dissident elements based in Nicaragua to overthrow the Figueres administration.

Comment: Costa Rica's 1,400-man Civil Guard, which has only small arms and a few anti-aircraft guns, is not even capable of patrolling the country's borders. The government's genuine alarm is indicated by its recent expulsion of a number of Nicaraguan exiles long resident in Costa Rica.

Despite Somoza's disclaimers of aggressive intentions, the activity of Costa-Rican would-be revolutionaries in Nicaragua makes an attempt to overthrow Figueres a possibility--either with or without clandestine assistance from the Nicaraguan and Venezuelan governments.

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